
TOO GOOD TO BE TRUE....

A Column on Consumer Issues

by Attorney General Wayne Stenehjem's
Consumer Protection and Antitrust Division

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HOME EQUITY CREDIT LINES

Using a credit line to borrow against the equity in your home has become a popular source of consumer credit. Most loans come with variable interest rates, some with attractive low introductory rates, and a few with fixed rates. Most loans have large up-front fees, some have closing costs, and others have large balloon payments at the end of the loan. No one loan is right for every homeowner. The challenge is to contact different lenders, compare options, and select the home equity credit line that best fits your needs.

Initially, at least, home equity credit lines may provide you with large amounts of cash at relatively low interest rates. They may provide you with certain tax advantages unavailable with other kinds of loans. At the same time, these loans are not without risk. Why? Because they require you to use your home as collateral for the loan. If you make a late payment or cannot repay the loan, you may lose your home. And if you sell your home, most plans require you to pay off the credit line in full at that time.

The Federal Truth in Lending Act requires lenders to inform you about the terms and costs of the home equity plan at the time you are given an application. Lenders must disclose the APR and payment terms, and must inform you of charges to open or use the account, such as an appraisal, credit report or attorneys' fees. Lenders must also tell you about any variable rate feature and give you a brochure describing the general features of home equity plans.

The Truth in Lending Act also protects you from changes in the terms of the account – other than a variable rate feature – before the plan is opened. If you decide not to enter into the plan because of a change in terms, all fees you paid earlier must be returned to you. Because your home is at risk when you open a home equity credit account, you have three days to cancel the transaction – for any reason. To cancel, you must inform the lender **in writing**. Following that, your credit line must be cancelled and all fees you have paid must be returned.

If you have questions about home equity credit lines, you can obtain an informational brochure and checklist by writing to: Public Reference, Federal Trade Commission, Washington, DC 20580.

The Attorney General's Consumer Protection Division investigates allegations of fraud in the marketplace. Investigators also mediate individual complaints against businesses. If you have a consumer problem or question, call the Consumer Protection Division at

328-3404 (v/TDD) or toll-free at 1-800-472-2600 (v/TDD). This article and other consumer information is located on our website at www.ag.state.nd.us.